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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Commodities on its first session

held at the Palais des Nations, Geneva,
from 19 to 23 October 1992

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INTRODUCTION

1. The Standing Committee on Commodities, established in accordance with paragraph 70 of the Cartagena Commitment, held its first session at the Palais des Nations, Geneva, from 19 to 23 October 1992. In the course of the session, the Standing Committee held five plenary meetings.1/

Opening statements

2. The Chairman said that to implement the Cartagena Commitment, it would be necessary to continue working in the spirit that had prevailed at Cartagena. There were many obstacles to international cooperation, but such cooperation was nevertheless of the utmost importance. Commodities were one of the main sources of income for many countries, and UNCTAD VIII had given commodities their rightful place. It was therefore important for delegations to seize every opportunity to work together objectively.

3. The Deputy to the Secretary-General of UNCTAD said that the present session was taking place at a time of very depressed real prices in most commodity markets. Prospects were for a tendency for supply to exceed demand and a large accumulation of stocks, leading to the persistence of low prices in the coming months or years. In the past decade, recurring shortfalls in export earnings had represented, on average, a loss equivalent to seven months of exports in the case of developing countries highly dependent on commodity exports, while international compensatory financing had remained insufficient to cope with those shortfalls. Depressed commodity markets, in the context of the very limited success of developing countries' efforts towards diversification of their productive structures, were a serious threat to the recovery efforts of many developing countries.

4. He stressed the importance of the agreements reached at UNCTAD VIII in the area of commodities, as well as the Standing Committee's terms of reference. Concrete and imaginative action at the national and international levels was needed in order to reduce distortions affecting supply and demand, improve transparency, progressively remove trade barriers affecting commodities, and optimize the contribution of the commodity sector to development through increases in productivity and competitivity, as well as through diversification of production and exports. He also recalled the need to ensure environmentally sound management of natural resources with a view to sustainable development.

5. With regard to producer-consumer cooperation, recent developments indicated that possibilities for increased cooperation had been opened up. In addition to the forthcoming meetings for the renegotiation of the International Cocoa Agreement, 1986, and the International Coffee Agreement, 1983, the International Sugar Agreement, 1992, was now open for signature. He further recalled positive developments that had taken place in respect of

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1/ For the terms of reference of the Standing Committee on Commodities, see Trade and Development Board decision 398 (XXXVIII), annex, section B.

olive oil and table oils, natural rubber and tropical timber, as well as the increasing importance of study groups such as those on nickel and copper. He noted also the increasing importance assumed by development objectives in the area of producer-consumer cooperation.

6. The search for new instruments aimed at minimizing the risks relating to fluctuations in commodity markets was another field in which positive elements had emerged. The Cartagena Conference had requested the UNCTAD secretariat to explore these various mechanisms, the obstacles to their potential use, and ways of overcoming these obstacles, and it had decided that these issues should be studied by governmental and non-governmental experts in UNCTAD. The terms of reference of the Committee provided for the exploration of these questions.

7. The sound management of natural resources was another area of increasing international interest, and the fourth principle of the Rio Declaration provided that "in order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it". Exploring the strong interrelation between commodity policies, the management of natural resources and sustainable development was part of the mandate given to the Committee.

8. The eighth session of UNCTAD had taken a decision regarding a possible world conference on commodities. The Conference had invited the Secretary-General to hold consultations on the matter and requested the Standing Committee on Commodities, through the Trade and Development Board, to undertake a comprehensive analysis regarding commodity policy and explore new, market-oriented approaches to commodity policies. Subject to a positive outcome of the consultations of the Secretary-General and of the deliberations of the Committee and both showing a large degree of common understanding about the desired results of such a conference, the Board should decide on an invitation to the General Assembly to convene a conference under UNCTAD auspices. During its first session, the Standing Committee should take a decision on how to include the appropriate elements in its work programme in order to assist the Board in assessing the question of a world commodity conference. Obviously, the necessary analytical work for this aim was complementary to the mandate given to the Standing Committee by the Board in the terms of reference.

9. The representative of the United Kingdom of Great Britain and Northern Ireland, speaking on behalf of the European Community and its member States, said that the first session of the Committee was also the first meeting of one of the new bodies established by UNCTAD VIII. It therefore constituted an opportunity to begin to move forward along the course set in Cartagena. Regarding the work programme for the Standing Committee, the guidelines in this aspect would be the terms of reference adopted by the Trade and Development Board, and these guidelines would determine the priorities for the work programme. It would obviously not be possible to consider all aspects of the terms of reference at the same level of detail in the immediate period ahead. The Committee should aim for more profitable discussion than in previous years, with practical results that would actually help alleviate some commodity problems. The EC and its member States shared many of the ideas put

forward by the secretariat, as well as the broad acceptance by the Trade and Development Board that all the new bodies should pay particular attention to the needs of the LDCs and take into account the United Nations New Agenda for the Development of Africa in the 1990s.

10. In the view of the EC and its member States, the priority work areas should be diversification, improving the functioning of commodity markets (which would include an investigation of risk management) and issues relating to sustainable development. The work should emphasize the ways in which diversification could be encouraged, the improvement of competitiveness of developing country producers and the transparency of commodity markets. The Committee should explore the links between commodity policies and management of natural resources and achievement of sustainable development. In order to achieve these goals, the Committee should look at individual country experience in the fields of commodity policy and diversification, identifying successes and difficulties and seeing what lessons might be drawn. Comparative studies should be considered relating both to individual countries and to individual commodities. From the outset, the Committee should draw heavily on the expertise of non-governmental actors in the analytical work. The contribution of experts might be most valuable if they participated directly in the work of the Committee. Regarding the proposals to consider convening a world conference on commodities, it was agreed that the Committee should undertake a comprehensive analysis regarding commodity policy and explore new, market-oriented approaches to commodity policies. In addition, the Secretary-General of UNCTAD was mandated to hold consultations on the question of a world conference on commodities. If the deliberations in the Committee showed a large measure of convergence about the desired results of a commodity conference, and also subject to a clear and positive outcome to the Secretary-General's consultations, the Trade and Development Board would be able to decide on a recommendation to the General Assembly. The EC and its member States looked forward to contributing actively to the comprehensive analytical work needed.

11. The European Community and its member States continued to believe that the approach to the problems of commodity-dependent countries should have several aspects. A move towards diversification should be an important component of the longer-range economic development of commodity-dependent developing countries. In some cases, vertical diversification through more local processing was a promising option, while in others horizontal diversification into other sectors would be essential. The Committee should consider individual countries' experiences in diversification to see what useful lessons could be learned. It was worth recalling that, as part of its regional trade promotion activities and the Lomé IV Convention, the Community was financing a number of technical studies in individual commodities in which the potential for processing, marketing, distribution and transport was being assessed. These studies reflected the Community's belief that local processing could have a significant potential in terms of value-added. Regarding the improvement of the functioning of existing commodity agreements, experience had shown that efforts to stabilize prices against long-term market trends had been largely ineffective. Renegotiations for such agreements should be pursued with a view to achieving viable and more efficient agreements which were market-oriented. Concerning the current negotiations for new coffee and cocoa agreements, some initial progress had been achieved; there were, however, many difficult issues still to be resolved. With regard

to the International Natural Rubber Agreement (INRA), although early experience with this agreement had been encouraging, the last 12 months had been quite unsettled for the INRA, and its long-term prospects would shortly be reviewed. For its part, the International Tropical Timber Agreement provided a forum designed to promote sustainable management of tropical forests and a correct balance between conservation and exploitation. The Community and its member States had been active in shaping the work of the organization, and they were committed to giving practical support to the follow-up to UNCED, which had underlined the need to mobilize the resources in the field of environment in general and of tropical forests in particular. She further noted the progress made in the international study groups for a number of minerals and other commodities.

12. The Common Fund for Commodities had not yet reached its full potential. The Community attached importance to the work of the Second Account, especially the objective of article 18.3 (m) of the basic Agreement, whereby the Fund should pay particular attention to the problems of the LDCs. The Community and its member States believed that the ongoing review process of the Common Fund was indeed required, in an effort to make the Common Fund more efficient and cost-effective.

13. Compensatory financing was a further aspect of work in the field of commodities. The Community's STABEX system had been reinforced in order to respond to structural difficulties, either in the production sectors or in the relevant world market. For the 1990 application year, STABEX had paid out almost 484 million ECUs to 33 ACP countries. For 1991, 35 States had benefited or would benefit from payments totalling 391 million ECUs. In both years, the amounts paid out had been well below the Transfer Basis, a situation brought about in a large degree by conditions in the coffee and cocoa markets. Since its inception, the STABEX scheme had transferred about 3.36 billion ECUs to ACP countries. The IMF Compensatory and Contingency Financing Facility continued to operate with full Community support.

14. Finally, the Community supported the exploration of approaches to minimize the risks arising from commodity market fluctuations. The Committee should explore ways of encouraging developing countries to make greater use of price hedging mechanisms (such as futures and options) in order to cope with price fluctuations. The World Bank had established a unit to advise producers on measures to minimize risks, and UNCTAD was also developing its technical assistance in this and other commodity-related areas. Increased reliance on market forces to determine international commodity prices required the efficient and transparent operation of price formation mechanisms.

15. The spokesman for the African Group (Côte d'Ivoire) said that, as indicated in the Trade and Development Report 1992, sub-Saharan African countries had, with few exceptions, experienced very low economic growth in 1991. This was due to the persistent weakness of commodity prices, which had led to a drastic fall in export earnings and a decrease in investment. There was therefore a close link between the level of commodity prices and the economic performance of Africa, the continent most dependent on this sector. The African Group thus attached great importance to UNCTAD's activities on commodities, and fully endorsed the main decisions taken in Cartagena.

16. Following the proposal submitted by Colombia at UNCTAD VIII regarding a world commodity conference and pursuant to item 6 of its terms of reference, which established the task of assisting the Trade and Development Board in preparing such a conference, the Committee faced a double task at the session: defining the precise role of the Committee regarding the holding of the conference, and establishing the work programme and the priorities of the Committee.

17. Concerning the world commodity conference, it was first necessary to find out whether member countries had the will to hold it. Only after a positive decision had been taken on this matter could the preparations for the conference be envisaged at a second stage. The Committee could then take up the technical preparations. He looked forward to the favourable reaction of all member States to this important proposal.

18. Concerning the work programme of the Committee, the African Group would make specific proposals later. In the meantime, he recalled that, in the context of the United Nations New Agenda for the Development of Africa in the 1990s, it had been agreed that UNCTAD should give priority to Africa in its technical assistance activities, and the recent decision concerning priorities gave special attention to African concerns in the consideration of all sectoral issues studied within UNCTAD.

19. The representative of the United States of America said that the cooperation and goodwill present in Cartagena and later in the Trade and Development Board would continue and make the task of the Committee easier. His country believed that the Committee's work programme should emphasize national, not international, approaches to commodity problems, and such approaches should be market-oriented. His country would support a work programme that concentrated on research, analysis, statistics gathering, and technical advice. One specific area that the Committee could explore was that of the various mechanisms for risk management, especially futures and options. In this regard, he noted that the United States had helped arrange seminars on this very subject in Cartagena. His country would therefore support the secretariat's intention to convene two meetings of experts to examine the conditions for encouraging participation in commodity exchanges by buyers and sellers of commodities and to make proposals. Careful planning by developing countries in the use of sophisticated market tools could increase their income substantially without any need for difficult reforms.

20. With regard to the question of a possible world commodities conference, the position of his Government on this issue was well known. The United States believed that the Standing Committee on Commodities was well positioned to study, discuss and take action on any and all issues in the commodity field. A commodity conference would duplicate the efforts of the Standing Committee and could weaken UNCTAD's standing on commodity matters. However, the United States supported the mandate adopted in Cartagena because a fair, democratic examination with all viewpoints expressed would show that a world conference was not desirable.

21. The representative of Switzerland stressed the advantages of increased use of market-oriented mechanisms such as futures in transactions between producers and consumers. In particular, Governments would be able to plan their fiscal revenues better, and trading firms would be able to lock a price

in advance and transfer risks to speculators whose function was specifically risk management. She underlined the satisfaction of Switzerland with regard to the outcome of UNCTAD VIII and the terms of reference of the Standing Committee on Commodities in this respect. It therefore belonged to UNCTAD, an organization eminently well placed in the field of solution-seeking, to undertake the task assigned to it as soon as possible.

22. International commodity policy was now at a turning point. Agreements comprising intervention clauses did not work at all or worked improperly. Even worse, they hampered the creation of efficient commodity exchanges which would allow better management of the three different risks inherent in any form of international trade, namely the risks relating to prices, interest rates and exchange rates. The use of commodity exchanges and of contractual commitments between producing firms and processing and marketing firms would result in greater security in transactions and higher investment yield and production. International cooperation in the commodity field could find a new challenge in the issue of sovereign risk, which existed in all transactions and was currently preventing the emergence of a transparent market where the physical trade of commodities was hedged through financial instruments.

23. Switzerland did not consider it appropriate at this stage to study the question of a United Nations conference on commodities, since a consensus in principle on the prevalence of market mechanisms had not emerged. It was only when a broader consensus was obtained concerning the approach to international cooperation in this matter that the issue of a world commodity conference could be addressed. It would be premature and irrational to base the forthcoming work of the Standing Committee on this question, since such a conference should provide the opportunity to formally consecrate such a consensus and to replace the concept of the Integrated Programme for Commodities.

24. The representative of Finland, speaking also on behalf of the Nordic countries, Norway and Sweden, said that there already existed an extensive network of organizations, bodies, agreements and funds that tackled commodity issues, such as diversification, to which the Nordic countries had traditionally attached great importance.

25. In addition, an extensive negotiating process was going on in which practically every international commodity agreement was under renegotiation. The outcome of these negotiations would certainly be of great importance for further discussions on commodity issues.

26. The necessary instruments to implement the Cartagena commitment existed, though there was a need for more intensive and concrete cooperation between the different systems in the commodities sector.

27. In short, it was difficult to see what a world conference on commodities could do that the already large existing infrastructure could not. He would, of course, be prepared to listen to the various views put forward about the conference, but unless new concrete ideas were to come up, he felt that the spirit and ideas of Cartagena should be given enough time to generate concrete results.

28. The representative of Australia said that subsidization and protectionism in respect of agricultural and natural-resource-based products in the major industrial countries were the major factors contributing to the serious problems affecting world commodity trade. She emphasized the need to resolve the underlying causes of these problems, rather than to treat the symptoms by means of shorter-term "stabilization" measures. A successful outcome to the Uruguay Round of trade negotiations was a critical and necessary contribution to the liberalization of commodity trade, in particular through the improvement of market access, the reduction of trade-distorting subsidies and the creation of a more stable framework for world agricultural commodities trade. The same could be said for natural-resource-based commodities such as coal, non-ferrous metals and a wide range of tropical products. Trade-related measures were thus the key to an effective and durable solution to commodity problems caused by protectionist policies.

29. The work of the Committee should focus on issues such as competitiveness, liberalization, transparency and sustainable development, all of which were key priorities of Australian policy in this field. Australia was doubtful, at the present stage, that a world conference on commodities would be a good idea. Only after in-depth consideration of the issues raised by the terms of reference as a whole would the value or otherwise of the conference proposal become clear. It was better to establish a substantive work programme first and to leave decisions on the question of the conference for the right time in the future.

30. The spokesman for the Asian Group (Sri Lanka) said that the Standing Committee's first session was of great significance for the future work of UNCTAD. International trade in commodities was not a new issue in UNCTAD, and commodity trade was of central importance to any discussion on trade and development. For most developing countries in Asia, in spite of recent diversification of the export base in some of these countries, the importance and relevance of the commodity sector had not diminished. The instability in this sector had always affected developmental activities, particularly in times of adverse price fluctuations, and the present conditions in the world commodity markets further underlined the urgency of solving the long-standing problems in the commodity sector.

31. At UNCTAD VIII, it had been recognized in the Cartagena Agreement (para. 18) that the most important development challenges for the 1990s were the elimination of poverty and the acceleration of economic growth and social development in developing countries on a sustainable long-term basis. The basic issue was to eradicate poverty and to increase employment and exports while preserving and protecting the environment. However, environmental concerns should not become a basis for denying access to markets for exports from developing countries.

32. The Asian Group supported the idea of convening a world conference on commodities. However, adequate preparatory work should be undertaken prior to the conference, which should focus sharply on the main problems. For its part the Committee should urgently survey commodity problems and prospects from the point of view of the developing countries, undertake a study on the best means for horizontal and vertical diversification of production of exports so as to reduce excessive dependence on commodities, seek possibilities for strengthening cooperation between producers and consumers, which could to a

large extent be achieved by enhancing the existing commodity agreements when they came up for renegotiation, and carry out a detailed analysis of trade-distorting effects in the context of sustainable development. In any studies undertaken in the commodity sector, there should be adequate emphasis on the problem of market access, as commodity policies alone would not solve the problems faced by the commodity exports of the developing countries. In this context, his Group believed that the Common Fund for Commodities should be strengthened and made fully operational.

33. The representative of China underscored UNCTAD's central role in formulating and coordinating commodity policies, and laid emphasis on the importance of an effective and practicable work programme drawn up in accordance with the spirit of the Cartagena Commitment and the Committee's own terms of reference and focusing on measures designed to improve the commodity sectors of developing countries. This called for full consideration of and a search for solutions to the difficulties faced by the developing countries in the future work of the Committee. Citing heavy commodity dependency among developing countries, he recalled that the current recession in the developed countries' economies had curtailed their demand for imports and added to the difficulties of developing countries, which were facing increasingly heavy debt burdens, protectionism, the continuous decline of primary commodity prices, reverse capital flows, an unfavourable external environment, and difficulties in commodity exports in respect of access to markets, finance, technology, etc, which were beyond their capacity to tackle by themselves. In an increasingly interdependent world, genuine international cooperation and a sound external environment had become essential conditions for the domestic policies of any country to bear fruit. He finally noted that the present session was of great significance. He reiterated his confidence in UNCTAD's experience in the area of commodities and expressed his conviction that, given cooperative international understanding, difficulties would be surmounted and an effective approach to development found.

34. The representative of Ecuador said there was a need to find concerted solutions in order to overcome the problems and distortions in commodity markets; those problems were seriously jeopardizing the development prospects of many countries for which the commodity sector was of vital importance. He expressed his concern about the outbreak of protectionist barriers in developed countries' markets and the emergence of new trade regimes which were incompatible with GATT norms and which affected two of his country's main exports: bananas and tuna fish. He stressed the need to avoid the implementation of mechanisms that prevented the free flow of resources to some countries and that were contrary to the Cartagena Commitment, as well as to market rules. He underlined the importance of the work of the Standing Committee on Commodities and of selected issues such as distortions affecting supply and demand, lack of transparency in the management and decision-making processes, incompatibility and incoherence of policies at the national and international levels, the gap between developing countries' deficits and commodity earnings, and the lack of the necessary compensatory financing. He finally recalled that the work of the Committee would clear the way for better understanding, and in this perspective a world commodity conference should be taken as an important element of negotiation.

35. The representative of the Common Fund for Commodities said that the policy review which the Standing Committee was about to undertake and the

vista that UNCTAD VIII had unveiled were of special relevance and significance for the Common Fund for Commodities. The international commodity situation in the 1960s and 1970s, characterized by price instability around rising price trends and the narrow export base of developing countries, had changed significantly. The present international commodity markets were marked by structural oversupply and long-term declines in real prices and the consequent diminishing of export earnings for commodity-producing developing countries. There was no denying that international commodity trade was now faced with serious challenges. Some of the previously identified remedial measures and policies required review and revitalization. The Executive Board of the Fund at its ninth meeting in June 1992, had established a Working Group on new directions for the Common Fund for the 1990s, which had been given the task of examining possible new ways of making efficient and effective use of the resources of the Fund in the light of developments in international commodity markets and relevant international fora, in order to maximize its positive impacts on developing producing countries, in particular the least developed among them.

36. The Second Account of the Fund had not only commenced operations, but had already approved and started financing a number of projects sponsored by International Commodity Bodies (ICBs). Besides those which had been approved, the Fund had currently more than 30 project proposals/profiles in the pipeline for consideration, and this number would increase in 1993. The projects which had been approved, and those in the pipeline, fell within the areas that document TD/B/CN.1/2 identified for optimization of the contribution of the commodities sector to development. The projects were appraised with indicators which would ensure socio-economic development in the content of sustainable development.

37. In that connection, the Executive Board of the Fund had just approved the Fund's first project involving cofinancing by a major international development institution, namely the World Bank, and he emphasized the Fund's desire to cooperate with all relevant institutions and organizations active within the field of commodities.

38. The representative of Japan said that the depressed situation on international commodity markets was due, to a large extent, to the chronic oversupply situation and the instability of commodity prices. The low level of commodity prices in recent years had reduced the real export earnings of commodity-dependent developing countries and thus placed a severe strain on their economic development. The solution to this problem should be sought, in the first place, in enhanced transparency in commodity markets.

39. The low price levels of some commodities such as coffee and cocoa were caused mainly by the oversupply situation, and commodity agreements would play an important role in the achievement of a balance between supply and demand In that context, Japan hoped that the ongoing negotiations towards new agreements on coffee and cocoa would reach a successful conclusion.

40. It was essential, through various means, including the improvement of the investment climate and the promotion of marketing, to expand the exports of those developing countries heavily dependent upon commodity exports. He stressed the importance of self-help efforts in the area of diversification, processing, marketing and private investment.

41. The work programme of the Standing Committee should be based on the Committee's terms of reference and on a realistic approach focused on market mechanisms. His delegation attached particular importance to paragraphs 3(d) and 3(f) of the terms of reference, namely the diversification and market transparency issues, and to sustainable development. The question of holding a world conference on commodities was linked to the question of the kind of outcome expected from such a conference, and the Committee should study various issues before any decision was taken in this respect.

42. The Japanese Government hoped that the effective operation of the second account of the Common Fund for Commodities would promote research and development in the commodity area and then contribute to the economic development of the developing countries. He also hoped for the early and successful conclusion of the round-table meetings on processing of commodities proposed by Japan at UNCTAD VII. Japan was determined to continue bilateral and multilateral cooperation in a wide range of areas with a view in particular to helping developing countries diversify their economies.

43. The representative of the Russian Federation said that his country supported the priority development of the commodity problematic within UNCTAD, taking into account UNCTAD's extensive experience in this field.

44. International trade in commodities continued to play an important role in resolving the global problem of the economic development of developing countries. The current realities of the Russian economy meant that the basis of his country's cooperation with the world in the field of commodities lay in exports of minerals and metals and the utilization of world experience, industrial cooperation and foreign capital to expand the processing of commodities into competitive processed products. He emphasized that the Russian Federation faced problems very similar to those faced by the commodity-exporting developing countries. These problems related in particular to the accumulation of financial resources in the national commodity sector, effective utilization of this sector for structural reorganization and development, determination of ways and means of accessing, importing and assimilating environmentally sound processing technologies, and diversification of the economy.

45. The Russian Federation was interested in the stabilization of world commodity markets so that market fluctuations would not excessively harm producers and exporters. In the context of growing interdependence, such factors as market transparency, the environmental consequences of the commodity economy and market access were of utmost importance.

46. UNCTAD, as the principal forum in the field of commodities, should be a centre for coordinating the activities of all international organizations working in the field of commodities. This task should encompass, in particular, coordination of the endeavours of other international bodies in respect of the stabilization of commodity markets, at both the national and the international levels. In this context, his country supported UNCTAD's activities aimed at promoting the establishment of ICAs and coordinating the activities of international study groups, both autonomous groups and groups within UNCTAD.

47. The programme of work of the Standing Committee should encompass, inter alia, the promotion of transparency, market access, and analytical surveys of commodity markets, by country and individual commodity. He concluded by emphasizing his country's interest in formulating recommendations in the field of commodities based on the analysis of other countries' experience, with the aim of adopting appropriate decisions at the national level.

48. The representative of Colombia said his delegation would concentrate its remarks on the question of the establishment of a work programme for the Committee. The chronic problems affecting commodities were well known and had been widely discussed in the Committee, and the production, consumption and price situation was hardly encouraging. The analysis and in-depth study of that situation was precisely the task of the Committee. Those problems were well illustrated by the situation affecting some export items of particular interest to Colombia, such as the particularly low prices of coffee and cocoa, and the restrictive schemes of market access faced by banana exports. Sugar was traded on a similarly distorted market. The solution to these problems lay partly in inducing order in international trade by establishing multilateral rules. Colombia was intensively and actively pursuing this objective within the Uruguay Round of trade negotiations in order to achieve equitable conditions of access to markets and commitments favouring competition and free play of comparative advantages.

49. However, such a multilateral legal setting in the context of GATT would address problems such as protectionism and subsidization but would not offer remedy to other problems, which should be dealt with by the Committee. These related to national commodity policies, market transparency mechanisms, research on new varieties and development policies, horizontal and vertical diversification, the compatibility of production policies with the objective of sustainable development and other factors affecting international trade, including risk management and price fluctuation.

50. It was certainly necessary to study national policies, as proposed by other delegations, but in a highly interdependent world in which commodities faced global markets, the international dimension of global exchange should not be abandoned.

51. Those were the considerations which should form the basis of the Committee's work. Its objective would have to be accomplished following the methodology agreed upon at Cartagena, namely study, analysis and consensus-building around the main findings and the proposed solutions.

52. Concerning the possibility of convening a world commodity conference, an idea first launched by his country reflecting concerns from the region but then endorsed in Cartagena by all countries present in the Committee, the question before the Committee was not one of deciding at this moment and in a vacuum or on the basis of the chaotic and erratic situation as evidenced by the current market reality, whether or not to hold a conference. All countries in the Committee had decided in Cartagena to carry out an in-depth analysis of the commodity policy situation and consider new approaches, and an innovative emphasis had been given to market-oriented approaches. What the path towards the Conference implied, and that was how Colombia interpreted the Cartagena Commitment, was a dialectic process within a logical chronology

aimed at an informed decision. The basis for a decision to hold the conference fitted into this process, as indicated by many delegations, but unlike some countries, Colombia did not wish at this premature stage to prejudge the eventual appropriateness of holding the conference. The matter had to be considered on the basis of the evidence arising from the substantive work and analysis carried out by experts in the Committee. The substantive work programme of the Committee was thus interlinked with the work required to implement the Cartagena decisions relating to the world conference.

53. The process was one and the same. It had been established with identical objectives and parallel goals, naturally compatible among themselves. The terms of reference of the Committee had been collectively agreed, largely following the recommended work programme for the preparation of the world conference, as agreed in Cartagena. To advance the work in the Committee would be to advance the work towards the conference. They were both guided by the same spirit, designed by the same countries and embraced the same objective. Experts in the Committee would carry out the technical work and the Board, as a political body, would decide on the world conference. A step which had already given Colombia great satisfaction in the overall process was the fact that what had been agreed as the main features of the world conference had been incorporated into the terms of reference of the Committee.

54. Accordingly, his delegation wished to extend the Chairman's invitation to all delegations to go ahead and immediately start work on the essential establishment of a work programme for the Committee.

55. The representative of Nepal said that the present sluggish pace of the world economy was hitting the least developed countries hardest. The latter had long been implementing costly trade liberalization measures and structural adjustment programmes in their pursuit of sustainable development but a supportive external economic environment still did not exist.

56. With regard to his country's trade experience, manufactured products like carpets and clothing had in recent years overtaken agro-based products as Nepal's dominant export items, and the growth rate for exports had been higher than that for imports. However, due to the falling prices of export commodities and the rising value base of imports, the trade deficit remained a serious problem. He stressed his delegation's interest in the review of the compensatory financing mechanisms for export shortfalls and expressed optimism concerning the formulation of a work programme which would alleviate the plight of the least developed countries.

Chapter I

ESTABLISHMENT OF THE WORK PROGRAMME OF THE STANDING COMMITTEE

(Agenda item 3)

57. For its consideration of this item, the Standing Committee had before it the following documentation:

> "Issues for consideration in the establishment of the work programme: note by the UNCTAD secretariat" (TD/B/CN.1/2).

58. At its 2nd plenary meeting, on 19 October 1992, the Standing Committee decided to discuss agenda item 3 in informal meetings.

Action by the Standing Committee

59. At the Standing Committee's 5th (closing) plenary meeting, on 23 October 1992, the Chairman introduced draft agreed conclusions entitled "Establishment of the work programme of the Standing Committee" (TD/B/CN.1/L.3).

60. At the same meeting, the Standing Committee adopted the draft agreed conclusions (for the text of the agreed conclusions, see annex I).

61. The representative of Colombia said that his delegation concurred with the agreed conclusions of the Standing Committee on the understanding that paragraph 6 of the Standing Committee's terms of reference (Trade and Development Board decision 398 (XXXVIII), annex, section B) concerning the question of a world conference on commodities was still valid, that the decisions taken by the Board in that connection remained valid for the future and that the Secretary-General of UNCTAD would hold the relevant consultations as provided for in the Cartagena Commitment.

62. The representative of Nigeria said that his delegation had joined the consensus regarding the work programme in a spirit of cooperation. However, at the first part of its thirty-ninth session, the Trade and Development Board had decided that the work of UNCTAD's intergovernmental bodies should take account of the United Nations New Agenda for the Development of Africa in the 1990s and Africa-specific problems in general, along with the Programme of Action for the LDCs. The Board's decision as it related to the New Agenda was based on General Assembly resolution 46/151, in the adoption of which all countries had participated. It was therefore hoped that, although there was no specific mention of the New Agenda in the Standing Committee's work programme, that did not imply that the Board's decision concerning the New Agenda should be ignored.

63. The representative of Cuba said that the work programme approved by the Standing Committee did not satisfy all interests, but it did represent a common denominator for all. His country agreed with Colombia that the Secretary-General of UNCTAD should hold consultations in connection with

paragraph 6 of the Standing Committee's terms of reference relating to the world commodity conference with a view to determining whether a recommendation should be made to convene the conference.

64. The representative of Peru said that, with regard to paragraph 6 of the Standing Committee's terms of reference, his delegation was resolved to participate in consultations on the possible agenda and convening of a world conference on commodities.

65. The representative of Mexico endorsed the statements made by Colombia and Peru.

66. The representative of the United States of America noted with interest the statement made by Colombia and said that it was for the Secretary-General of UNCTAD to decide when to initiate consultations on a world commodity conference. His delegation was ready to participate in such consultations. The question of convening a world commodity conference was an option which could be addressed at a future session of the Standing Committee, if the States members of the Committee so decided. Procedural issues, such as when to undertake the comprehensive analysis regarding commodity policy called for in the Cartagena decision, were clearly matters for the Secretary-General of UNCTAD, the Board and a future session of the Standing Committee.

67. The representative of Ecuador expressed support for the statement made by Colombia.

68. The representative of the United Republic of Tanzania said his delegation fully associated itself with the statement made by Nigeria.

69. The spokesman for the Asian Group (Sri Lanka) expressed support for the statement made by Colombia.

70. The Chairman said that what had been achieved by the Standing Committee was the outcome of intensive and innovative hard work. In successfully concluding the work of its first session, the Standing Committee, the first of UNCTAD's new intergovernmental bodies to meet, had set a good example for others to follow. The outcome of the Standing Committee's work proved that UNCTAD could become a very effective institution.

Chapter II

SUBSIDIARY ORGANS OF THE STANDING COMMITTEE (PARAGRAPH 7 OF THE TERMS OF REFERENCE OF THE COMMITTEE)

(Agenda item 4)

71. For its consideration of this item, the Standing Committee had before it the following documentation:

> "Previous work in UNCTAD on tungsten and iron: note by the UNCTAD secretariat" (TD/B/CN.1/4).

72. At its 2nd plenary meeting, on 19 October 1992, the Standing Committee decided to discuss agenda item 4 in informal meetings.

Action by the Standing Committee

73. At its 5th (closing) plenary meeting, on 23 October 1992, the Chairman introduced a draft decision entitled "Subsidiary organs of the Standing Committee (paragraph 7 of the terms of reference of the Committee)" (TD/B/CN.1/L.1).

74. At the same meeting, the Standing Committee adopted draft decision TD/B/CN.1/L.1 (for the text of the decision, see annex I).

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

75. The first session of the Standing Committee on Commodities was opened on 19 October 1992 by the Deputy to the Secretary-General of UNCTAD.

B. Election of officers (agenda item 1)

76. The Deputy to the Secretary-General of UNCTAD recalled that, at the pre-sessional executive session of the Board, it had been agreed that the rules of procedure of the main committees of the Trade and Development Board should be applied to the new standing committees, albeit in as flexible a manner as possible. It was also agreed that the officers of these committees should be elected in accordance with the applicable rules of procedure, taking into account the principles of equitable geographical distribution and rotation. At the closing plenary of the first part of the thirty-ninth session of the Trade and Development Board, the Board had re-affirmed that the principle of equitable geographical distribution should be applied to the election of the members of the bureau of each of the new bodies. So far as the standing committees were concerned, the Chairperson and members of the Bureau of each committee would be chosen on the basis of equitable geographical distribution at the beginning of each new session. Finally, prior to the meetings, consultations should be held in order to reach agreement beforehand on the membership of the Bureau of each of these new bodies. Such consultations had taken place on 16 and 19 October, and agreement had been reached on the membership of the Bureau of the Standing Committee on Commodities.

77. At its 1st, 3rd and 4th plenary meetings, on 19, 20 and 21 October 1992, the Standing Committee on Commodities elected its officers as follows:

Chairman:	Mr. A.A. Gubartalla (Sudan)
Vice-Chairmen:	Mr. J. Perez Novoa (Cuba) Mr. A. Bin Rimdap (Nigeria) Mr. V. Kouvchinov (Russian Federation) Mr. D.E. Sams (United States of America) Ms. A. Stoddart (United Kingdom of Great Britain and Northern Ireland)
Rapporteur:	Mr. L.B. Gatan (Philippines)

C. Adoption of the agenda and organization of work (agenda item 2)

78. At its 2nd plenary meeting, on 19 October, the Standing Committee on Commodities adopted its agenda, as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Establishment of the work programme of the Standing Committee

4. Subsidiary organs of the Standing Committee (para. 7 of the terms of reference of the Committee)

5. Provisional agenda for the second session of the Standing Committee

6. Other business

7. Adoption of the report of the Standing Committee to the Trade and Development Board

79. It was understood that, when the Standing Committee discussed agenda item 3, the question of assistance to the Trade and Development Board in assessing the question of a world conference on commodities under UNCTAD auspices would be taken up.

D. Provisional agenda for the second session of the Standing Committee (agenda item 5)

80. At its 5th (closing) plenary meeting, on 23 October 1992, the Standing Committee decided to recommend to the Trade and Development Board that the Standing Committee on Commodities should meet once annually.

81. With respect to the agendas for the annual sessions, the Committee decided that the work programme agreed at its first session should provide the content for its agendas. Moreover, the choice of the specific agenda topics within the main headings of the work programme would be determined in the informal consultative mechanism established in accordance with paragraph 83 of the Cartagena Commitment, taking into account the evolution of the world commodity situation and progress in the work of the secretariat.

E. Adoption of the report of the Standing Committee to the Trade and Development Board (agenda item 7)

82. At its 5th (closing) plenary meeting, on 23 October 1992, the Standing Committee adopted its draft report (TD/B/CN.1/L.2), with some amendments, and authorized the Rapporteur to complete the text of the report to reflect the proceedings of the closing meeting.

Annex I

AGREED CONCLUSIONS AND DECISION ADOPTED BY THE STANDING COMMITTEE AT ITS FIRST SESSION

A. Agreed Conclusions

1 (I). Establishment of the work programme of the Standing Committee

Pursuant to "A New Partnership for Development: The Cartagena Commitment", adopted at the eighth session of the Conference, and on the basis of Board decision 398 (XXXVIII), which sets out in section B of the annex the terms of reference of the Standing Committee on Commodities, the Committee agreed on the following work programme for the period up to the next session of the Conference.

A. Situation and prospects for commodities

1. Identification and analysis of factors affecting commodity markets with a view, inter alia, to reducing distortions;

2. Analysis of ways and means to improve market opportunities for commodities in the medium term;

3. Analysis of national experiences in order to identify sound, compatible and consistent policies at national and international levels; and

4. Analysis of the evolution of prices and trade.

B. Contribution to the improvement of the functioning of commodity markets

1. Identification of ways to improve market transparency, inter alia, through improved information and statistics;

2. Identification of ways to strengthen producer/consumer cooperation;

3. Identification and analysis of ways and means to remove barriers to trade in commodities, including those based on environmental considerations; and

4. Analysis of ways of improving the efficiency and use of existing mechanisms for the management of risks arising from commodity price fluctuations.

C. Compensatory financing mechanisms

1. Analysis of problems stemming from commodity-related export earnings shortfalls of developing countries and review of developments in the field of compensatory financing of export earnings shortfalls.

D. Reducing excessive dependence on primary commodities

1. Analysis of national experiences in horizontal and vertical diversification, including the possibilities for crop substitution;

2. Examination of the best ways of achieving diversification, taking into account competitiveness, market trends and opportunities; and

3. Identification of ways aimed at enhancing cooperation for institution building, promotion of entrepreneurship and diversification, including crop substitution.

E. Fostering sustainable development in the commodity field

1. Analysis of national experiences in the management of natural resources with regard to commodity production;

2. Exploration of the links between commodity policies, use and management of natural resources and sustainable development;

3. Identification of environmental problems that are specific to commodity production and processing and an examination of ways of improving developing countries' access to international financial and technical support, including environmentally sound technologies to cope with such problems;

4. Identification of means by which the competitiveness of natural products with environmental advantages could be improved; and

5. Examination of the manner in which prices of natural commodities and their synthetic competitors could reflect environmental costs.

F. Technical cooperation in the field of commodities

1. Identification for consideration of areas in which technical cooperation should be strengthened.

B. Decision

2 (I). Subsidiary organs of the Standing Committee (paragraph 7 of the terms of reference of the Committee)

The Standing Committee on Commodities,

1. Recalls paragraph 7 of its terms of reference; 1/

2. Decides to establish, as its subsidiary organs, the Intergovernmental Group of Experts on Tungsten and the Intergovernmental Group of Experts on Iron Ore, as presently constituted.

1/ Trade and Development Board decision 398 (XXXVIII), annex, section B.

Annex II

MEMBERSHIP AND ATTENDANCE 1/

1. The following States members of UNCTAD, members of the Standing Committee, were represented at the session:

Afghanistan
Algeria
Argentina
Australia
Austria
Bangladesh
Belgium
Bolivia
Brazil
Bulgaria
Canada
China
Colombia
Côte d'Ivoire
Cuba
Czechoslovakia
Democratic People's Republic of Korea
Ecuador
Egypt
El Salvador
Equatorial Guinea
Ethiopia
Finland
France
Germany
Ghana
Greece
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Lebanon
Libyan Arab Jamahiriya
Madagascar
Malaysia
Mexico
Morocco
Myanmar
Nepal
Netherlands
New Zealand
Nigeria
Norway
Pakistan
Peru
Philippines
Poland
Portugal
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Senegal
Singapore
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Thailand
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Venezuela
Viet Nam
Zimbabwe

1/ For the list of participants, see TD/B/CN.1/INF.1.

2. The following other States members of UNCTAD, not members of the Standing Committee, were represented as observers at the session:

Bhutan
Cameroon
Chile
Mauritius
Qatar
Syrian Arab Republic

3. The International Trade Centre UNCTAD/GATT was represented at the session.

4. The following specialized and related agencies were represented at the session:

Food and Agriculture Organization of the United Nations;
International Monetary Fund.

The General Agreement on Tariffs and Trade was also represented.

5. The following intergovernmental organizations were represented at the session:

Common Fund for Commodities;
European Economic Community;
League of Arab States;
Organisation for Economic Cooperation and Development;
Organization of African Unity.

6. The following non-governmental organizations were represented at the session:

General category

International Chamber of Commerce;
World Confederation of Labour;
World Federation of United Nations Associations.

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